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ADDENDUM F

RESOLUTION NO. 02.23.06(03)-04

RESOLUTION OF THE BOARD OF DIRECTORS OF
PALOMAR POMERADO HEALTH ("PPH")
AUTHORIZING CLOSING ON OPTION TO PURCHASE, PURCHASE
AGREEMENT AND ESCROW INSTRUCTIONS FOR PARCELS 27
THROUGH 29 AND 33 THROUGH 36 DATED MARCH 18, 2005, BY AND
BETWEEN PPH AND JRM-ERTC I, L.P.

WHEREAS, in order to preserve an option regarding the selection of a site for an additional hospital facility, PPH entered into an Option to Purchase, Purchase Agreement and Escrow Instructions, dated March 18, 2005 (the "Option Agreement") granting PPH, among other things, an option (the "Option") to purchase 49.65 gross acres of land within the Escondido Research and Technology Center (the "Optioned Land") from JRM-ERTC I, L.P. (the "Seller"); and

WHEREAS, in order to preserve an option regarding the selection of a site for an additional hospital facility, PPH had previously entered into an Option to Purchase, Purchase Agreement and Escrow Instructions, dated February 11, 2005 (the "Previous Option Agreement") granting PPH, among other things, an option (the "Previous Option") to purchase 6.6 gross acres of land within the Escondido Research and Technology Center (the "Optioned Land") from JRM-ERTC I, L.P. (the "Seller") and subsequently closed on said Previous Option; and

WHEREAS, in order to assess the suitability of the collective Option and Previous Option Land for an additional hospital facility, PPH as Lead Agency completed an environmental review pursuant to the California Environmental Quality Act ("CEQA"), which environmental review will evaluate potential sites for an additional hospital in accordance with CEQA, including the Optioned and Previous Optioned Land, and fully complied with CEQA prior to committing to a definite course of action with respect to, or approving of, the development or construction of an additional hospital; and

WHEREAS, PPH has determined that the collective Option and Previous Option Land is suitable for the purposes of an additional hospital facility; and

WHEREAS, the City of Escondido by Ordinance #2006-09, the First Reading of which was February 8, 2006 and the Second Reading of which was February 22, 2006, both in the affirmative, agreed to the necessary zoning and entitlement modifications to the General Plan and ERTC Specific Plan allowing for a hospital and related uses and an associated Development Agreement; and

WHEREAS, the Board of Directors of PPH (the "Board") desires to close on the Option and the purchase of the Optioned Land pursuant thereto in order to proceed with the development of an additional hospital on the Option and Previous Option Land; and

WHEREAS, the Board of Directors of PPH has determined that the source of funds necessary to close on the Option shall be the General Obligation Bonds, Election of 2004, Series 2005A.

NOW, THEREFORE, BE IT RESOLVED by the Board:

A. DETERMINATIONS AND FINDINGS

The Board hereby determines and finds that:

- (1) The Option and the Previous Option Land pursuant thereto: (a) is suitable for an additional hospital at the specific site of the Option and Previous Option; and (b) desires to commitment resources to the development of an additional hospital at the specific site;
- (2) PPH has conducted an environmental review pursuant to the California Environmental Quality Act ("CEQA"), which environmental review evaluated potential sites for an additional hospital in accordance with CEQA, including the Optioned and Previous Optioned Land, and fully complied with CEQA prior to committing to a definite course of action with respect to, or approving of, the development or construction of an additional hospital;
- (3) After appropriate CEQA review the Board determined that the Optioned and Previous Optioned Land is suitable for the construction of an additional hospital;
- (4) The closing on the Option and the purchase of the Optioned Land and the previous acquisition of the Previous Option Land is in the best interest of the District in order to develop an additional hospital pursuant to the District's Facility Master Plan.
- (5) That the General Obligation Bonds, Election 2004, Series 2005a for the purchase of the Option and Previous Option Land is an authorized use as required pursuant to Section 5.08 of the Paying Agent Agreement, dated as of June 1, 2005 (the "Paying Agent Agreement"), between the District and Wells Fargo Bank, National Association, as paying agent, the Board hereby determines that the District has achieved CEQA Compliance.

B. RESOLUTIONS

The Board hereby authorizes the closing of the Option Agreement by PPH's Chief Executive Officer or Chief Financial Officer, and the execution of documents necessary to consummate closing of the Option Agreement and acquisition of the Optioned Land. The Board hereby further authorizes the performance of the obligations of PPH under the Option Agreement, including, but not limited to, the associated Agreements – Development Agreement and Acknowledgement of the CCRs.

The Board hereby authorizes the use of General Obligation Bonds, Election 2004, Series 2005a funds for the purchase of the Option and the Previous Option Land.

All acts and things previously done and performed (or caused to be done and performed) in the name and on behalf of PPH prior to the date of these resolutions in furtherance of any of the foregoing resolutions and the transactions contemplated therein be, and the same hereby are, ratified, confirmed and approved.

PASSED AND ADOPTED at a meeting of the Board of Directors of Palomar Pomerado Health held on February __, 2006, by the following vote:

AYES:

NOES:

ABSTAINING:

ABSENT:

ATTESTED:

Chairperson

Secretary

*Executed in
Counter parts*

**OPTION TO PURCHASE, PURCHASE AGREEMENT
AND ESCROW INSTRUCTIONS**

(Parcels 27 through 29 and 33 through 36)

THIS OPTION TO PURCHASE, PURCHASE AGREEMENT AND ESCROW INSTRUCTIONS ("Agreement") dated as of March 18, 2005 ("Effective Date") is made by and between JRM-ERTC I, L.P., a California limited partnership ("Seller"), and Palomar Pomerado Health, a California Health Care District ("Buyer"), with reference to the facts set forth below and constitutes (i) an option to purchase granted by Seller to Buyer, (ii) if said option is exercised, a contract of purchase and sale between the parties, and (iii) escrow instructions to Escrow Agent (as hereinafter defined).

ARTICLE 1 - RECITALS

1.1 The Property. Seller currently owns a parcel of unimproved real property located in the City of Escondido, County of San Diego, State of California, commonly described as a portion of Assessor's Parcel Nos. 232-03-26, 232-03-27, and 232-040-21, and more particularly described on Exhibit "A-1" hereto and as depicted on the site plan ("Site Plan") attached as Exhibit "A-2" hereto (such parcel, collectively with all rights and interests in any streets, alleys, roads or other public ways adjoining or serving such parcel, and any other rights or interests that may be appurtenant to such parcel, hereinafter referred to as the "Property"). The Property is located within the Escondido Research and Technology Center ("ERTC" or "Project") and consists of approximately 49.65 gross acres and 28.08 net acres of land, and is currently known as Parcels 27 through 29 and 33 through 36, shown on the draft Final Map submitted to the City of Escondido on or about August 18, 2004 ("Draft Final Map"), a copy of which was previously delivered by Seller to Buyer. Seller also owns a parcel of unimproved real property located adjacent to the Property, consisting of approximately 6.6 gross acres and 6.56 net acres of land currently known as Parcels 30, 31 and 32 shown on the Draft Final Map and as depicted on the Site Plan (the "Additional Option Property"). Buyer currently has the option to purchase the Additional Option Property pursuant to that certain Option to Purchase, Purchase Agreement and Escrow Instructions between Buyer and Seller dated as of February 11, 2005 (the "Additional Option Agreement"). The exact boundaries of the Property and Additional Option Property shall be as set forth in the Final Map (as defined in Section 4.2.5 below).

1.2 Option to Purchase. Seller now desires to grant to Buyer, and Buyer desires to obtain from Seller, an Option to Purchase the Property.

NOW THEREFORE, for the sum of ten dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE 2 - GRANT OF OPTION; PURCHASE PRICE

2.1 Grant of Option. Seller hereby grants to Buyer, and Buyer hereby accepts from Seller, the exclusive right and option to purchase all of Seller's right, title and interest in and to

the Property, upon the terms and covenants and subject to the conditions set forth in this Agreement (the "Option").

2.2 Term of Option. The term of the Option shall commence on the Effective Date and shall expire at 5:00 p.m. Pacific Time on August 31, 2005 (the "Option Expiration Date").

2.3 Exercise of Option. The Option may be exercised by Buyer's delivery to Seller, during the term of the Option, of a written notice from Buyer stating that the Option is exercised, accompanied by payment of Two Hundred Fifty Thousand Dollars (\$250,000.00) in immediately available funds from Buyer to Seller (the "Option Payment"). The Option Payment shall be applicable to the Purchase Price, and shall be non-refundable to Buyer except in the event that this Agreement is terminated pursuant to Sections 4.2.5, 8.1.2(v), 11.2, 13.2, or by reason of the default of Seller (in which case the Option Payment shall promptly be refunded to Buyer). Upon any such exercise of the Option by Buyer, this Agreement shall automatically constitute a purchase agreement between Buyer and Seller. If the Option has not been exercised in strict accordance with the terms hereof prior to the expiration of the term of the Option, then the Option and all rights of Buyer hereunder shall immediately and automatically terminate and shall be of no further force and effect. If (i) Seller has performed all of its obligations under the Additional Option Agreement, and is not in breach or default of any of the provisions thereof, and (ii) the Final Map (as defined in Section 4.2.5) has been filed of record in the San Diego County Recorder's Office (the "Recorder's Office"), then Buyer's acquisition of the Additional Option Property pursuant to the Additional Option Agreement shall be a condition precedent to Buyer's right to exercise the Option.

2.4 Purchase Price. If Buyer exercises the Option, then the total Purchase Price for the Property shall be Twenty-Eight Million Eighty Thousand and 00/100 Dollars (\$28,080,000.00) (the "Purchase Price"). If Buyer exercises the Option then, on or before the Closing (as defined in Section 8.1), Buyer shall, pursuant to the terms and conditions of Section 5.1.1, deliver to Escrow Agent funds in an amount equal to the Purchase Price, less the Option Payment, in cash or certified funds.

ARTICLE 3 - OPENING OF ESCROW

3.1 The Escrow. Immediately upon execution hereof, Seller shall open an escrow (the "Escrow") with Chicago Title Company at the address set forth in Section 14.1, as escrow agent ("Escrow Agent"). Buyer and Seller shall deliver to Escrow Agent their fully executed counterparts of this Agreement, which Buyer and Seller agree shall constitute escrow instructions. In addition, the parties agree to execute Escrow Agent's usual form of supplemental escrow instructions for transactions of this type with any modifications that are mutually acceptable to Buyer and Seller; provided, however, that such escrow instructions shall be for the purpose of implementing this Agreement, and shall not have the effect of modifying this Agreement, unless both parties agree and it is so expressly stated and initialed on behalf of both Buyer and Seller. "Opening of Escrow" shall mean the date on which this Agreement is fully signed by all parties and deposited into Escrow.



Buyer Seller

ARTICLE 4 - CONDITIONS TO THE PARTIES' OBLIGATIONS**4.1 Intentionally omitted.**

4.2 Conditions to Buyer's Obligation to Purchase. If Buyer exercises the Option, then Buyer's obligation to purchase the Property shall be expressly conditioned upon the timely satisfaction of each of the following:

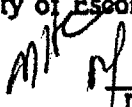
4.2.1 Performance by Seller. Timely performance of each material obligation and covenant of, and delivery required of, Seller hereunder, including all deliveries required of Seller as of the Close of Escrow pursuant to Article 6 below.

4.2.2 Representations and Warranties. All of Seller's representations and warranties hereunder shall be true and correct as of the Closing Date, with the same force and effect as if made on such date.

4.2.3 Delivery of Title Policy and Possession. Delivery on the date of the Closing (or Title Company's unconditional and irrevocable commitment to deliver following the Closing) of: (i) the Title Policy (in the form provided in Section 8.1.2) showing fee title to the Property as having vested in Buyer, and (ii) possession of the Property as provided in Article 15 hereof.

4.2.4 Declaration of CCRs. Buyer acknowledges that it has received a copy of the Declaration of Covenants, Conditions and Restrictions (the "Declaration") to be recorded against certain portions of the Project (excluding the Property and Additional Option Property) concurrently with recordation of the Final Map. Immediately upon execution hereof, Buyer and Seller shall use their good faith efforts to expeditiously negotiate the terms of a mutually acceptable Supplementary Declaration that will be recorded against the Property, the Additional Option Property and other property located in the ERTC (the "Supplementary Declaration") that will annex the Property, the Additional Option Property, and such other property to the Declaration and modify certain portions of the Declaration relating to, among other things, Buyer's use of the Property and Additional Option Property (including, without limitation, Buyer's exclusive right to operate an acute-care general hospital and related facilities). If the parties fail to reach an agreement regarding the terms of a mutually acceptable Supplementary Declaration within thirty (30) days after the Effective Date, then either party shall thereafter have the right to terminate this Agreement by written notice to the other, provided that such notice is received before the parties agree upon the terms of the Supplementary Declaration. Once the parties have agreed upon the form of the Supplementary Declaration, it shall be a covenant and obligation of Seller that Seller promptly cause the Supplementary Declaration to be filed of record in the Recorder's Office. The discharge of such obligation by Seller shall be a condition precedent to Buyer's obligation under this Agreement to purchase the Property. Notwithstanding the foregoing, if Buyer fails to consummate the purchase of the Property, Seller may, in its sole discretion, de-annex all or any portion of the Property from the Declaration.

4.2.5 Final Map. Recordation of a final map, lot line adjustment, and/or other document(s) (the "Final Map") to divide the Property into separate legal lots in substantial conformance with the Draft Final Map previously submitted to the City of Escondido and in

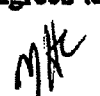



Buyer Seller

compliance with the California Subdivision Map Act. Seller covenants that it shall use diligent and commercially reasonable efforts to cause the Final Map to be recorded by March 18, 2005, or as quickly thereafter as possible, and in no event later than the Option Expiration Date. If Seller is still unable to record the Final Map on or before the Option Expiration Date, despite its diligent and commercially reasonable efforts to do so, Buyer shall thereafter have the right, in its sole and absolute discretion, to elect by delivering written notice of such election to Seller on or before the Option Expiration Date to (i) extend the time for Seller to record the Final Map, in which case the Option Expiration Date shall be extended until such date as is five (5) Business Days after Seller provides written notice to Buyer that Seller has recorded the Final Map, or (ii) terminate this Agreement by written notice to Seller. Failure of Buyer to deliver such notice shall be deemed Buyer's election to extend the time for Seller to record the Final Map as provided above. If Buyer elects (or is deemed to have elected) to extend the time for Seller to record the Map in accordance with this Section, and if Seller is still unable to record the Final Map on or before July 1, 2006, despite its diligent and commercially reasonable efforts to do so, Seller shall be relieved of any further obligation to record or otherwise process the Final Map and thereafter either party may terminate this Agreement by written notice to the other.

4.2.6 Development Agreement. Immediately upon execution hereof, Buyer and Seller shall use their good faith efforts to expeditiously negotiate the terms of a mutually acceptable development agreement that will set forth the agreement of the parties concerning their future joint development of up to 300,000 square feet of medical office building space and associated parking on portions of the Property to be identified by the Buyer (the "Development Agreement"). If the parties fail to reach an agreement regarding the terms of a mutually acceptable Development Agreement within thirty (30) days after the Effective Date, then either party shall thereafter have the right to terminate this Agreement by written notice to the other, provided that such notice is received before the parties agree upon the terms of the Development Agreement.

4.2.7 Dispute Resolution. The dispute resolution mechanism set forth herein shall be the exclusive dispute resolution mechanism available to the parties for resolution of any disputes or claims (collectively, the "Disputes") relating to or arising out of the exercise of Seller's right to terminate this Agreement due to the parties' failure to reach agreement regarding the terms of the Supplementary Declaration or Development Agreement as provided in Sections 4.2.4 and 4.2.6 above. Buyer shall raise any such Disputes by written notice to Seller within ten (10) Business Days after receipt of Seller's termination notice. Failure of Buyer to so notify Seller within such ten (10) Business Day period shall be deemed a waiver of the right to dispute or contest Seller's right to so terminate this Agreement including, without limitation, any right to an action for specific performance and any other remedy Buyer may have in connection with the exercise of Seller's right to so terminate this Agreement. If a Dispute cannot be settled amicably within seven (7) Business Days after the giving of such notice, either party may submit the Dispute for arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA"), as amended and in effect on the date that demand for arbitration is filed with the AAA, such demand for arbitration to be filed within five (5) Business Days following expiration of such seven (7) Business Day period. Failure of either party to file such demand for arbitration within such five (5) Business Day period, shall be deemed a waiver of the right to dispute or contest Seller's right to so terminate this Agreement. Each party hereto agrees that any such Dispute shall be submitted to a single arbitrator if agreed to by the parties to

 
Buyer Seller

the arbitration. Otherwise, each party to the arbitration shall select one arbitrator, and the arbitrators selected shall then choose one additional arbitrator and these shall constitute the arbitration panel. In all cases, the selected arbitrators shall be independent of and unaffiliated with either of the parties and shall be recognized as having substantive knowledge of the field and matter that is the subject of the Dispute. The ruling of the arbitrator(s) shall be binding and conclusive upon the parties hereto to the fullest extent permitted by law. Any arbitration shall occur in San Diego County, California, or at any other location agreed to in writing by the parties to the arbitration, within sixty (60) days after filing the demand for arbitration. Judgment upon any award or decision rendered in such arbitration may be entered in any court having jurisdiction thereof. The arbitrator(s) shall be governed by and shall apply the substantive law of the State of California in making their award. In any such arbitration, the prevailing party shall be entitled to reimbursement of attorneys' fees, costs, and expenses incurred in connection with the arbitration.

4.3 Conditions to Seller's Obligation to Sell. If Buyer exercises the Option, then Seller's obligation to sell the Property to Buyer shall be expressly conditioned upon the timely satisfaction of each of the following:

4.3.1 Performance of Buyer. Timely performance of each material obligation and covenant of, and delivery required of, Buyer hereunder.

4.3.2 Payment of Purchase Price. Payment or delivery to Seller of the amount of the Purchase Price, minus the Option Payment and the amount of any applicable Purchase Price Hold-Back, in the manner herein provided.

4.3.3 Final Map. Recordation of the Final Map for the Property has been approved by the City of Escondido and recorded in compliance with the California Subdivision Map Act. Seller covenants that it shall use diligent and commercially reasonable efforts to cause the Final Map to be recorded by March 18, 2005 or as soon thereafter as possible (subject to the provisions of Section 4.2.5 above).

4.3.4 Development Agreement. The Development Agreement has been executed and delivered by Buyer.

4.4 Objections to Termination; Return of Funds and Documents. Any notice of termination of this Agreement or the Escrow shall be given as provided in Article 14 of this Agreement. Escrow Agent shall have no liability or responsibility for determining whether or not a party giving a notice of termination is or is not in default hereunder. Within two (2) calendar days after receipt of notice of termination from one party, Escrow Agent shall deliver a copy of such notice to the other party. Unless written objection to the termination of the Escrow is received by Escrow Agent within ten (10) calendar days after Escrow Agent delivers such notice to the other party, (i) Escrow Agent shall forthwith terminate the Escrow and return all documents and other items held by it to the party depositing same, except that Escrow Agent may retain copies of such documents and other items usually retained by Escrow Agent in accordance with standard escrow termination procedures and practices, and (ii) the terminating party shall forthwith pay to Escrow Agent the Escrow Agent's reasonable Escrow termination charges, unless the termination was the result of the default or breach of this Agreement by the

 Buyer Seller

other party, in which case all Escrow termination fees shall be paid by the party in breach or default hereof. If written objection to the termination of the Escrow is delivered to Escrow Agent within such ten (10) day period, Escrow Agent is directed to hold all funds, documents and other items delivered to it in connection with the Escrow and shall take no further action until otherwise directed, either by the parties' mutual written instructions or final order of a court of competent jurisdiction.

ARTICLE 5 - BUYER'S DELIVERIES TO ESCROW AGENT

5.1 **Buyer's Post-Exercise Obligations.** If Buyer exercises the Option, then the following shall constitute obligations of the Buyer:

5.1.1 **Purchase Price.** On or before the Closing Date, Buyer shall deliver to Escrow Agent (i) cash in the amount of the Purchase Price, less the Option Payment and any applicable Purchase Price Hold-Back and (ii) any prorations chargeable to Buyer, and any other amounts payable by Buyer hereunder, to the extent that same exceed any proration or other credits for the benefit of Buyer hereunder.

5.1.2 **Development Agreement.** Buyer shall, on or before the Closing Date, deliver to Escrow Agent two (2) original counterparts of the Development Agreement executed by Buyer.

5.1.3 **Other Documents.** Buyer shall deliver such other and further documents as Escrow Agent may reasonably require in order to consummate the transaction described herein.

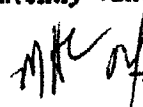
5.2 **Failure to Deliver.** Buyer's failure to make any delivery required by this Article 5 by the date or within the time set forth above, shall constitute a material breach of this Agreement by Buyer, unless such failure is caused by a breach by Seller of any provision of this Agreement.

ARTICLE 6 - SELLER'S DELIVERIES TO ESCROW AGENT

6.1 **Seller's Post-exercise Obligations.** If Buyer exercises the Option, then the following shall constitute obligations of the Seller:

6.1.1 **Grant Deed.** Seller shall, on or before the Closing Date, deliver to Escrow Agent a Grant Deed conveying title to the Property to Buyer subject only to those title exceptions that have been approved by Buyer pursuant to the provisions of Section 7.1. below, materially in the form shown on Exhibit "B" attached hereto (the "Grant Deed") executed and acknowledged by Seller.

6.1.2 **Tax Status Statement.** On or before the Closing Date, Seller shall deliver to Escrow Agent (i) an affidavit executed by Seller under penalty of perjury, stating Seller's United States taxpayer identification number and that Seller is not a foreign person, in accordance with Internal Revenue Code Section 1445 (b) (2) or a currently valid "qualifying



Buyer Seller

statement" issued to Seller by the Internal Revenue Service and (ii) a California Form 593-W executed by Seller and certifying that Seller is exempt from the provisions of Section 18805 and 26131 of the California Revenue and Taxation Code and that no amounts must be withheld from the Purchase Price pursuant to such code sections.

6.1.3 Title Policy. At Closing, Seller shall provide (pursuant to Article 8), the Title Policy in the amount of the Purchase Price and in the form provided in Section 8.1.2 (or Title Company's unconditional and irrevocable commitment to deliver the Title Policy to Buyer in that form following the Closing). Seller shall deliver to the Title Company such affidavits and indemnities as the Title Company may require in order to deliver the Title Policy in the form provided in Section 8.1.2.

6.1.4 A.L.T.A. Survey. At least twenty (20) days prior to the Closing Date, Seller shall deliver to Escrow Agent and to Buyer signed and sealed originals of an A.L.T.A. survey which shall be in the form of the Existing Survey described in Section 7.1.2, but which shall be recertified to Buyer and shall be updated to a date no earlier than thirty (30) days prior to the Closing Date (the "Updated Survey").

6.1.5 Termination of Seller's Relocation Right. Seller shall, on or before the Closing Date, deliver to Escrow Agent a termination and quitclaim of all of Seller's rights under the Seller's Relocation Right (as such term is defined in the Additional Option Agreement), in form and substance reasonably acceptable to Buyer.

6.1.6 Development Agreement. Seller shall, on or before the Closing Date, deliver to Escrow Agent two (2) original counterparts of the Development Agreement executed by Seller.

6.2 Failure to Deliver. Seller's failure to make any delivery required by this Article 6 by the date or within the time set forth above shall constitute a material breach of this Agreement by Seller, unless such breach is caused by a breach by Buyer of any provision of this Agreement.

ARTICLE 7 - INVESTIGATION OF PROPERTY

7.1 Delivery of Documents. Except as otherwise provided for below, the parties acknowledge that the following documents were delivered to Buyer prior to the mutual execution of this Agreement:

7.1.1 Preliminary Report. Buyer has received or will receive within five (5) days after the Effective Date a preliminary title report (the "Preliminary Report"), covering the Property and issued by Chicago Title Company (the "Title Company"), together with legible copies of all instruments shown as exceptions in the Preliminary Report.

7.1.2 A.L.T.A. Survey. Seller has provided Buyer with a copy of that certain A.L.T.A. Survey of the Project prepared by Project Design Consultants (the "Surveyor"), and dated February 23, 2005 (the "Existing Survey").

7.1.3 Approval of Preliminary Report and Existing Survey. Buyer shall have until 5:00 p.m. Pacific Standard Time on August 1, 2005 (the "Title Review Period") to

 Buyer Seller

(i) approve the Preliminary Report and Existing Survey, or (ii) notify Seller and Escrow Agent, in writing, of any unacceptable portions of the Preliminary Report and Existing Survey ("Title Objections"). Failure of Buyer to notify Seller, or Escrow Agent, of Buyer's Title Objections on or before the expiration of the Title Review Period shall be deemed Buyer's approval of the Preliminary Report and Existing Survey. Notwithstanding any provision of this Agreement to the contrary, Seller shall be required, on or before the Closing Date, to remove all monetary liens and judgments that encumber the Property, whether or not the same are identified by Buyer as Title Objections. In the event Buyer disapproves any items related to title or survey, Seller shall notify Buyer within ten (10) calendar days whether Seller is willing or able to provide for the removal of such title or survey matters. If Seller notifies Buyer in writing ("Seller's Refusal Notice") that Seller is either unable or unwilling to rectify such title or survey matters to Buyer's satisfaction, Buyer shall within ten (10) calendar days after receipt of Seller's Refusal Notice, either (x) waive the Title Objection(s) that Seller is unable or unwilling to rectify or (y) terminate this Agreement without penalty. Failure of Buyer to so notify Seller within such ten (10) day period, shall be deemed Buyer's waiver of such Title Objection(s) and approval of the Preliminary Report and Existing Survey.

7.1.4 Informational Documents. Seller has provided copies of informational materials relating to the Property which are in Seller's possession or which files Buyer has been or will be provided access to by Seller, including but not limited to: the Final Map, soils reports and environmental investigations (the "Informational Documents"). The Informational Documents provided to Buyer, if any, are to aid Buyer's analysis of the Property; however, Seller makes no representation or warranty of any kind with respect to accuracy or completeness of the Informational Documents; Buyer shall undertake any and all investigation which Buyer deems appropriate to verify and analyze the information contained or referenced in the Informational Documents. Buyer shall have until the Option Expiration Date to approve or disapprove in writing, the Informational Documents. Failure of Buyer to notify Seller and Escrow Agent, in writing, of Buyer's disapproval shall be deemed Buyer's approval of the Informational Documents.

7.2 Feasibility Review Process. In the event that Buyer desires access to the Property for testing or feasibility studies, the following shall apply: (i) For non-invasive studies Buyer shall provide Seller with at least twenty-four (24) hours verbal notice of Buyer's intention to conduct any non-invasive studies or tests on the Property, and no insurance shall be required, and (ii) for invasive studies Buyer shall provide or shall cause its consultants to provide commercial general liability insurance in the amount of \$1,000,000, naming Seller as an additional insured, and provide Seller with at least forty-eight (48) hours verbal notice of Buyer's intention to conduct any studies and of the scope of such studies and/or tests such that Seller may make itself, its employees, agents or its consultants available and present during the course of such studies or tests. At the end of such testing, Buyer shall return any areas tested to their original condition, repair all damage to the reasonable satisfaction of Seller and shall indemnify, defend, and hold Seller harmless for any and all damage, injury or other claims caused by such testing or surveying. The feasibility period shall end upon the Option Expiration Date and, if there are no written objections provided to Seller by Buyer, it shall be deemed that Buyer has reviewed the Property and has satisfied itself in all matters and respects with regard to the condition of the Property.


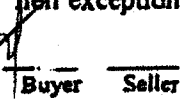
7.2.1 AS - IS Condition of the Property. Buyer agrees that, except as specifically set forth in this Agreement, there have been no representations or warranties made by or on behalf of Seller in connection with this Agreement or as to any matters concerning the Property, including but not limited to the condition, acreage, topography, climate, water, water rights, utilities, present or future zoning or entitlements, present or future assessments or governmental exactions, soil, subsoil, hazardous materials, the purposes for which the Property is suited, drainage, access to public roads, proposed routes of roads or extensions thereof. Except as specifically set forth in this Agreement, upon exercise of the Option by Buyer, the Property shall be sold by Seller and purchased by Buyer "AS-IS", "WHERE IS" AND "WITH ALL FAULTS". Buyer acknowledges that the Purchase Price for the Property might be higher if Buyer were not acquiring the Property in its "AS-IS" condition. Buyer acknowledges that it is experienced in the acquisition, ownership, and development of real property and that Buyer may have chosen not to utilize the opportunity provided in this Agreement to make investigations and studies concerning the Property, and thereby assumes any accompanying risk for such choice. Buyer represents to Seller that, except for the representations and warranties of Seller set forth in this Agreement and except as specifically set forth in this Agreement, Buyer is relying solely on its own independent investigation of the Property and has had (or prior to the Closing Date will have had) sufficient time and opportunity to make such independent investigations, inquiries, and evaluations as Buyer deems necessary or appropriate to decide for itself the degree and scope of risk which exists in connection with the acquisition of the Property and to determine that the value of the Property justifies the Purchase Price. To the extent Seller has made available to Buyer studies, survey and other information relating to the Property, the same has been as an accommodation only and with no representation or warranty whatsoever except for the representations and warranties of Seller set forth in this Agreement. On the basis of said representations, warranties and covenants of Buyer, Seller is willing to enter into this Agreement, and Seller shall have no obligation to make any repairs, alterations, or changes to the Property except as provided for in this Agreement. Any agreements, warranties or representations not expressly contained in this Agreement shall in no way bind Seller.

ARTICLE 8 - THE CLOSING

8.1 Date and Manner of Closing. If Buyer exercises the Option, then Escrow Agent shall close the Escrow ("Closing Date" or "Closing" or "Close of Escrow") on such date as is identified in a written notice by Buyer to Seller and Escrow Agent (the "Closing Notice"), provided that such date is (i) at least ten (10) days after the date of such notice, (ii) no sooner than January 1, 2006, and (iii) no later than February 28, 2006 (subject to Buyer's right to extend the date for Closing pursuant to Section 4.2.5). If Buyer has not delivered the Closing Notice prior to February 1, 2006, then the Closing Date shall be February 28, 2006 (subject to Buyer's right to extend the date for Closing pursuant to Section 4.2.5). The Closing shall occur when and only when each of the following conditions has been satisfied:

8.1.1 Funds and Documents. All funds and instruments required to be delivered to Escrow Agent pursuant to this Agreement have been so delivered.

8.1.2 Title Insurance. The Title Company is unconditionally and irrevocably committed to issue an ALTA extended coverage owner's policy of title insurance ("Title Policy") with liability in the amount of the Purchase Price, without a mechanics' lien exception



 Buyer Seller

or an exception for matters that would be disclosed by a Survey or inspection of the Property, and containing such endorsement coverages as Buyer may require, provided Buyer has notified Seller and the Title Company of such endorsements prior to the Option Expiration Date, subject only to the following:

- (i) non-delinquent real property taxes and assessments;
- (ii) non-delinquent supplemental assessments, if any, assessed pursuant to the provisions of Chapter 3.5 (commencing with Section 75) of the Revenue and Taxation Code of the State of California;
- (iii) those certain liens, easements, exceptions, defects and other encumbrances as set forth in the Preliminary Report to the extent that same have been approved by Buyer pursuant to the procedures set forth in Section 7.1;
- (iv) the Declaration, as amended by the Supplementary Declaration (or other reciprocal rights agreement or declaration in substantial conformity therewith); and
- (v) Any easements required by the City of Escondido or other governmental or quasi-governmental agencies in connection with recordation of the Final Map or reasonably necessary to satisfy any conditions to recordation of the Final Map or completion of the Site Improvement Work, provided that the same have been submitted to and approved by Buyer, which approval shall not be unreasonably withheld, conditioned, or delayed. If any such additional easements are not acceptable to Buyer, and if Seller is unable, after exercising commercially reasonable efforts, to convince the applicable party to rescind its request for the easement(s), then Buyer shall have the right to terminate this Agreement by written notice to Seller. Upon written notice by Buyer to Seller delivered at least sixty (60) days before Closing, Seller shall, at Seller's expense, cause those certain proposed private access easements through and across the Property at locations shown on Sheet 7 of the Final Map which are specified by Buyer in such notice to be terminated. Buyer shall reasonably cooperate, at Seller's expense, with Seller and its agents, employees, and representatives in connection with the termination of such easements.

8.1.3 The Updated Survey shall have been delivered by Seller to Escrow Agent and Buyer pursuant to the provisions of Section 6.1.4.

8.1.4 The Supplementary Declaration shall have been recorded in the Recorder's Office.

8.2 Delay in Closing: Authority to Close. If Escrow Agent cannot close the Escrow on or before the Closing Date, it will nevertheless close the same when all conditions have been satisfied or waived, notwithstanding that one or more of such conditions has not been timely performed, unless after said date and prior to the Closing, Escrow Agent receives a written notice to terminate the Escrow and this Agreement from a party who, at the time such notice is delivered, is not in default hereunder. Neither (i) the exercise of such right of termination, (ii) delay in the exercise of such right, nor (iii) the return of monies and documents, shall affect the right to the party filing such notice of termination to pursue other available remedies for the other party's breach of this Agreement; nor shall (x) the giving of such notice, (y) the failure to

object to termination of the Escrow, or (z) the return of monies and documents affect the right of the other party to pursue other available remedies for the breach of the party who gives such notice.

ARTICLE 9 - PRORATIONS, FEES AND COSTS

9.1 **Prorations.** Escrow Agent shall prorate (i.e., apportion) between the parties in cash, at the Closing, the following (all prorations are to be made on the basis of the actual number of days in the period subject to proration, unless otherwise specifically instructed in writing):

9.1.1 **Real Property Taxes, Assessments and Bonds.** All non-delinquent general and special real property taxes, bonds and assessments payable in installments levied or assessed against the Property, shall be prorated by Escrow Agent between Buyer and Seller on the basis of the latest tax bills, based upon a 365-day year as of the Closing Date. All such taxes and assessments for the current fiscal tax year during which Escrow closes shall be prorated as of the date of the Close of Escrow. Seller shall be responsible to pay any supplemental tax bill related to any event on the Property preceding the Close of Escrow or related to the Site Improvement Work. Buyer shall be responsible to pay any supplemental tax bill which pertains to this sale of the Property to Buyer or the improvement of the Property by Buyer after Close of Escrow (other than the Site Improvement Work). The parties expect that any such tax bill or supplemental tax bill will cover only the Property. However, should any such tax or supplemental tax cover land in addition to the Property, the parties agree to prorate the tax or supplemental tax based on the area of the Property and the total area covered by the tax bill or supplemental tax bill.

9.1.2 **Miscellaneous.** All of the prorations respecting the Property, except as otherwise provided herein, shall be made in accordance with the custom in San Diego County, California.

9.2 **Seller's Fees and Costs.** Seller shall pay (i) one-half of Escrow Agent's escrow fee, (ii) usual Seller's recording charges, (iii) City, if any, and County Documentary Transfer Tax in the amount required by law, (iv) the fee for the CLTA standard portion of the premium for the Title Policy, and (v) the cost of the Updated Survey.

9.3 **Buyer's Fees and Costs.** Buyer shall pay (i) one-half of Escrow Agent's escrow fee, (ii) usual Buyer's recording charges, (iii) any wire transfer costs for the transfer of funds into Escrow by Buyer, and (iv) any additional premium for an ALTA title policy or any special nonstandard or additional endorsements requested by Buyer.

ARTICLE 10 - DISTRIBUTION OF FUNDS AND DOCUMENTS

10.1 **Form of Disbursements.** All disbursements by Escrow Agent shall be made by trust account checks of Escrow Agent drawn on a local bank or by wire transfer to the account of the receiving party, as such party may direct.

10.2 **Recorded Documents.** Escrow Agent shall cause the County Recorder of San Diego County to mail the Grant Deed (and any other document which is herein expressed to

 Buyer  Seller

be, or by general usage is, recorded) after recordation, to the grantee, beneficiary or person (i) acquiring rights under said document or (ii) for whose benefit said document was acquired.

10.3 Non-Recorded Documents. Escrow Agent shall, at the Closing, deliver by United States mail (or shall hold for personal pickup, if requested), each non-recorded document received hereunder by Escrow Agent to the payee or person (i) acquiring rights under said document or (ii) for whose benefit said document was acquired.

10.4 Cash Disbursements. Escrow Agent shall, at the Closing hold for personal pickup, or shall arrange for wire transfer (i) to Seller, or order, the cash portion of the Purchase Price, plus any funds received as prorations or other credits and/or payments to which Seller shall be entitled, and less any appropriate proration or other credits and/or payments to which Buyer shall be entitled, and (ii) to Buyer, or order, any excess funds theretofore delivered to Escrow Agent by Buyer. Upon Escrow Agent's request, Buyer and Seller hereby agree to deposit with Escrow Agent all sums necessary to pay their respective shares of the costs of Closing.

10.5 Copies of Documents. Escrow Agent shall, at the Closing, deliver to Buyer and to Seller, a copy of the Grant Deed (conformed to show recording data) and each document recorded to place title in the condition required by this Agreement.

ARTICLE 11 - RETURN OF DOCUMENTS AND FUNDS UPON TERMINATION

11.1 Return of Seller's Documents. Except as otherwise expressly provided in this Agreement, in the event the Escrow is terminated for any reason other than Seller's default, then Buyer shall, within five (5) calendar days following any request made by Seller following such termination, deliver to Seller all documents and materials, if any, relating to the Property previously delivered to Buyer by Seller.

11.2 Return of Buyer's Documents. Except as otherwise expressly provided in this Agreement and subject to Paragraph 11.1, in the event the Escrow is terminated for any reason other than Buyer's default, Seller shall within five (5) calendar days following such termination, deliver to Buyer all funds, documents and materials, if any, previously delivered by Buyer to Escrow Agent or Seller; and Escrow Agent shall deliver all funds and documents and materials deposited by Buyer and then in Escrow Agent's possession to Buyer.

11.3 No Effect on Rights of Parties. The return of documents and monies as set forth above shall not affect the right of either party to seek such remedies as such party may have with respect to the enforcement of this Agreement.

ARTICLE 12 - DEFAULT

12.1 DAMAGES. IF BUYER EXERCISES THE OPTION BUT FAILS TO COMPLETE THE ACQUISITION AS HEREIN PROVIDED, AND SUCH FAILURE CONSTITUTES A MATERIAL DEFAULT BY BUYER THAT WAS NOT CAUSED BY A DEFAULT BY SELLER UNDER THIS AGREEMENT, THEN SELLER SHALL BE RELEASED FROM ANY FURTHER OBLIGATIONS HEREUNDER AND SHALL BE ENTITLED TO DAMAGES AS PROVIDED IN THIS SECTION 12.1 ("DAMAGES"). INsofar as it would be extremely impracticable and difficult to

 Buyer  Seller

ESTIMATE THE DAMAGE AND HARM WHICH SELLER WOULD SUFFER IN THE EVENT BUYER DEFAULTS HEREUNDER IN THE MANNER DESCRIBED IN THE PRECEDING SENTENCE, BUYER AND SELLER AGREE THAT A REASONABLE ESTIMATE OF THE TOTAL NET DETRIMENT THAT SELLER WOULD SUFFER IN THE EVENT THAT BUYER SO DEFAULTS UNDER THIS AGREEMENT BEYOND ALL APPLICABLE NOTICE AND CURE PERIODS, IS THE SUM OF TWO MILLION DOLLARS (\$2,000,000.00), PAYABLE BY BUYER TO SELLER (LESS THE OPTION PAYMENT, WHICH SHALL BE APPLICABLE TO SUCH SUM) IMMEDIATELY UPON SUCH DEFAULT. BY INITIALING THIS SECTION IMMEDIATELY BELOW, SELLER AND BUYER ACKNOWLEDGE THEIR APPROVAL OF THIS DAMAGES PROVISION. SELLER HEREBY WAIVES ANY RIGHT TO AN ACTION FOR SPECIFIC PERFORMANCE OF ANY PROVISIONS OF THIS AGREEMENT AND ANY RIGHT TO PURSUE ANY OTHER REMEDY FOR ANY BREACH OR DEFAULT BY BUYER OF THIS AGREEMENT; PROVIDED, HOWEVER, NOTHING CONTAINED HEREIN SHALL CONSTITUTE A WAIVER OF SELLER'S RELOCATION RIGHT (AS DEFINED IN THE ADDITIONAL OPTION AGREEMENT). BUYER AND SELLER ACKNOWLEDGE AND AGREE THAT IN THE EVENT THAT BUYER IS REQUIRED TO PAY THE \$2,000,000.00 TO SELLER PURSUANT TO THIS SECTION 12.1, AND IF BUYER HAS ACQUIRED OR SUBSEQUENTLY ACQUIRES PARCELS 30, 31 AND 32 PURSUANT TO THE ADDITIONAL OPTION AGREEMENT, THEN SUCH SUM SHALL BE DEEMED TO BE ADDITIONAL CONSIDERATION PAID BY BUYER FOR THE ACQUISITION OF PARCELS 30, 31 AND 32 PURSUANT TO THE ADDITIONAL OPTION AGREEMENT.

Seller's Initials: _____

Buyer's Initials: 

12.2 Seller's Additional Remedies. The sums payable as Damages under Section 12.1 shall only limit Seller's damages from Buyer's default under this Agreement beyond all applicable notice and cure periods. Section 12.1 shall not apply to Seller's attorney's fees and costs of suit if necessary to recover or retain the sum as damages. Buyer and Seller agree that the provisions of Section 12.1 shall not apply to Seller's attorney's fees and costs of suit in connection with the recovery or retention of damages provided in Section 12.1, and that Seller retains the right to pursue any remedy at law or in equity to recover such fees and costs.

12.3 Buyer's Remedies. Buyer and Seller agree that if the Seller defaults under this Agreement beyond all applicable notice and cure periods, then Buyer shall have the right to pursue any and all remedies available to Buyer at law or in equity (including, without limitation, specific performance).

ARTICLE 13 - REPRESENTATIONS AND WARRANTIES

13.1 Escrow Agent. Escrow Agent shall have no concern with or liability or responsibility for this Article.

13.2 Seller's Warranties and Representations. In addition to any other express agreements of Seller contained herein, the matters set forth in this Section 13.2 constitute representations and warranties of Seller. For purposes of Subsections 13.2.1 through 13.2.8, wherever the phrase "to the best of Seller's knowledge," "to Seller's knowledge" or the

 Buyer
  Seller

"knowledge" of Seller or words of similar import are used, they shall be deemed to refer only to the actual knowledge of James R. McCann, the representative of Seller who is most knowledgeable regarding all aspects of the Property. If Seller becomes aware before the Closing that any representation or warranty has become since the date hereof materially false or misleading due to events occurring subsequent to the date hereof which are beyond Seller's control, the Seller shall inform Buyer in writing and Seller shall be provided five (5) Business Days to cure the then current condition of such representation or warranty; provided that Seller shall be permitted such additional time to cure such condition which cannot be cured within said five (5) Business Day period (but not to exceed ninety (90) days) if Seller commences efforts to cure within said five (5) Business Day period and thereafter diligently pursues the cure to completion and, should Seller not cure such condition within the foregoing period, then Buyer may at its option either (i) cure the condition and accept a credit against the Purchase Price equal to the amount expended by Buyer in implementing such cure (not to exceed \$1,400,000), (ii) accept a credit against the Purchase Price equal to the diminution in value or utility of the Property caused by such condition (not to exceed \$1,400,000), or (iii) terminate this Agreement.

13.2.1 No Brokers. Except for Grubb & Ellis / BRE Commercial ("Broker"), whose commission, if any, shall be paid by Seller, Seller has not engaged or dealt with any broker or finder in connection with the sale contemplated by this Agreement. Seller hereby agrees to indemnify, defend and hold harmless Buyer from any claims, costs, damages or liability of or to a Broker if the same shall be based on any statement, representation or agreement made by Seller with respect to the payment of any brokerage commissions or finders fees. Seller shall pay Broker a commission, as described in a separate agreement.

13.2.2 Power and Authority. Seller is a limited partnership duly formed, validly existing and in good standing under the laws of the state of California, and has the legal power, right and authority to enter into this Agreement and to consummate the transactions contemplated hereby. Seller's General Partner, JRM Holdings, Inc., a California corporation, by James R. McCann, its President, has full power and authority to act as Seller and to bind Seller to this Agreement. This Agreement has been duly executed and delivered by Seller and (assuming valid execution and delivery on the part of Buyer) is a legal, valid and binding obligation of Seller and is enforceable against Seller in accordance with the terms hereof.

13.2.3 Legal Proceedings. To Seller's knowledge, without duty of inquiry, there are no pending or threatened actions, suits, claims, legal proceedings or any other proceedings or investigations affecting the Seller or the Property, or any portion thereof, at law or in equity, before any court, governmental agency or quasi-governmental agency, domestic or foreign.

13.2.4 Governmental Notices. To Seller's knowledge, without duty of inquiry, except as previously disclosed in writing by Seller to Buyer, there has not been any notice from any court, governmental agency or quasi-governmental agency of any pending or, to Seller's knowledge, threatened violation of any law or regulation affecting the Property, or any such pending or threatened violation, and to Seller's knowledge no condition currently exists which with notice and/or the passage of time would constitute any such violation.

13.2.5 Environmental Matters. (i) To Seller's knowledge, no underground tanks are now located, or at any time in the past, have been located on the Property; (ii) except as may


Buyer Seller


be disclosed in that certain Environmental Site Assessment ("ESA") dated June, 2001 and updated October, 2003 Document # 6205-011-901 by ENSR, to Seller's knowledge without duty of inquiry, no toxic or hazardous substances have been used, generated, treated, stored, disposed of, or otherwise deposited under in or on, or allowed to emanate onto or from the Property, including without limitation, the surface waters and subsurface waters thereof, which may support a claim or cause of action under the Comprehensive Environmental Response Compensation and Liability Act of 1980 (the "Superfund Act"), the Carpenter-Presley- Tanner Hazardous Substance Account Act, the California Hazardous Waste Control Law, the Porter-Cologne Water Quality Control Act, or any other federal, state or local environmental statutes, ordinance, regulations or guidelines (collectively "Environmental Laws"); (iii) Seller has complied and is in compliance with all Environmental Laws; and (iv) Seller has not received any written or oral notice, report or other information regarding actual or alleged material violation of Environmental Laws, or any material liabilities or potential material liabilities relating to the Property arising under Environmental Laws.

13.2.6 Condemnation. To Seller's knowledge, without duty of inquiry, there are no pending or threatened actions in condemnation, eminent domain, or for acquisition of the Property or any portion thereof for public use. Seller has no actual knowledge, without any duty to investigate, of any matters pertaining to the zoning or use restrictions of the Property which could or would have a material adverse impact on Buyer's intended use of the Property. Subsequent to the date of this Agreement, Seller shall notify Buyer of its actual knowledge, without duty of inquiry, of any pending or threatened governmental proceedings in eminent domain, for rezoning or otherwise, which would affect the Property or any portion thereof.

13.2.7 Title Matters. To Seller's actual knowledge, without duty of inquiry, Seller has good, marketable and indefeasible fee title to the Property, subject to no liens, encumbrances, covenants, conditions, reservations, restrictions, easements or other matters affecting the Property except as described in the specific title exceptions of Schedule B of the Preliminary Report (exclusive of the "general" or "standard" exceptions of the Preliminary Report).

13.2.8 Special Assessments. To Seller's knowledge, without duty of inquiry, except as set forth in the Preliminary Report, there are no existing or proposed special assessments or bonds imposed or required by any federal, state, county, city, or special assessment district against the Property.

13.3 Buyer's Warranties and Representations. In addition to any other express agreements of Buyer contained herein, the matters set forth in this Section 13.3 constitute representations and warranties by Buyer which are now and shall, at the Closing, be true and correct. If Buyer becomes aware before the closing that any representation or warranty has become since the date hereof materially false or incorrect due to events beyond Buyer's control, Buyer shall inform Seller in writing and Buyer shall be provided five (5) Business Days to cure the then current status of such representation or warranty; provided that Buyer shall be permitted such additional time to cure such condition which cannot be cured within said five (5) Business Day period (but not to exceed ninety (90) days) if Buyer commences efforts to cure within said five (5) Business Day period and thereafter diligently pursues the cure to completion and, should


Buyer Seller

Buyer not cure such defect within the stated cure period, Seller may at its option terminate this Agreement.

13.3.1 No Broker. Except for the Broker named in (subsection 13.2.1), Buyer has not engaged or dealt with any broker or finder in connection with the sale contemplated by this Agreement. Buyer hereby agrees to indemnify and hold Seller harmless from any claims, costs, damages or liability of or to a Broker, if the same shall be based on any statement, representation or agreement by Buyer with respect to the payment of any brokerage commissions or finders fees.

13.3.2 Power and Authority. Buyer has the legal power, right and authority to enter into this Agreement and, if approved by Buyer's Board of Directors, to exercise the Option and consummate the acquisition of the Property. This Agreement has been duly executed and delivered by Buyer and (assuming valid execution and delivery on the part of Seller) is a legal, valid and binding obligation of Buyer and is enforceable against Buyer in accordance with the terms hereof.

13.3.3 New Loans. Buyer shall be solely responsible for obtaining any new loans to be secured by the Property which Buyer may desire, and shall be solely responsible for any fees and other costs or expenses associated with any such loans.

ARTICLE 14 - NOTICES


14.1 Method of Delivery. All notices to be given under this Agreement shall be in writing and either delivered by personal delivery or sent by (i) certified mail, return receipt requested, in which case notice shall be deemed delivered three (3) Business Days after deposit, postage prepaid in the United States Mail, (ii) a nationally recognized overnight courier, in which case notice shall be deemed delivered one (1) Business Day after deposit with the courier, or (iii) telecopy, fax or similar means if a copy of the notice is also sent within twenty-four (24) hours by certified mail, return receipt requested, in which case notice shall be deemed delivered on transmittal by telecopier or other similar means, provided that a transmission report is generated reflecting the accurate transmission of the notices, addressed as follows:

If to Seller, to:

JRM-ERTC I, L.P.
C/O JRM Holdings, Inc.
1040 Andreasen Drive, Ste. 200
Escondido, CA. 92029
Phone: (760) 781-5300
Fax: (760) 781-5333

With a copy to:

Michael Lyon, Esq.
Hilding Kipnis Lyon & Kelly
11975 El Camino Real, Suite 200
San Diego, CA 92130
Phone: (858) 623-1111
Fax: (858) 623-9114



Buyer Seller

If to Buyer, to:

Palomar Pomerado Health
15255 Innovation Drive
San Diego, CA 92128
Attention: CFO's Office
Phone: (858) 675-5567
Fax: (858) 675-5132

With a copy to:

Robert J. Frances, Esq.
Latham & Watkins, LLP
600 West Broadway, Suite 1800
San Diego, CA 92101
Phone: (619) 238-2929
Fax: (619) 696-7419

If to Escrow Agent, to:

Chicago Title Company
--Park Camino Branch
2365 Northside Drive, Suite 600
San Diego, California 92108
Attn: Della Michaelson
Phone: (619) 282-3200
Fax: (619) 282-5201

14.2 Effective Date of Notices. All Notices given by a means provided herein shall be effective at the time(s) set forth in Section 14.1.

ARTICLE 15 - TRANSFER OF POSSESSION

15.1 Possession. Seller covenants that if Buyer exercises the Option, possession of the Property shall be transferred to Buyer or Buyer's designee on the date of the Closing free and clear of any and all tenancies or other rights of possession.

ARTICLE 16 - SELLER'S OBLIGATIONS

16.1 Completion of Site Improvement Work.

16.1.1 Rock Pile Removal. The Seller is currently storing a large supply of crushed rock on the Property, which rock the Seller intends to use in the construction of the Project's roads (the "Rock Pile"). Seller hereby covenants that it shall, at its own cost and expense, cause the Rock Pile to be removed from the Property by no later than December 31, 2005. On or prior to such date, Seller shall also repair any damage caused to the Property by the storage of the Rock Pile thereon or the removal of the Rock Pile therefrom.


16.1.2 Completion of Site Work. Seller hereby covenants and agrees that on or before December 31, 2005 (the "Site Work Completion Date"), as such date may be extended by any Events of Force Majeure, Seller, at Seller's sole cost and expense, shall have caused completion of the mass grading of the Project (including the Property) into final construction pads (finished to ± 0.10 feet) in accordance with that certain Grading Plan prepared by Project Design Consultants, job number GP1904, approved by the City of Escondido, Department of

 Buyer  Seller

Public Works, Grading Permit number G0604, dated January 23, 2004, and construction of all streets within the Project, inclusive of all wet and dry utilities to be constructed within such streets and to a point selected by Buyer on or before March 31, 2005 within five (5) feet within the boundary lines of the Property adjacent to Citracado Parkway, including water, reclaimed water, storm drain, sewer, telephone, high speed internet, electric, gas service and other utilities serving the Project (including the Property) in accordance with (i) those certain Improvement Plans for Escondido Research and Technology Center Drawing No. P-2398, Sheets 1 through 33, dated December 29, 2004 prepared by Project Design Consultants and approved by the City of Escondido on January 4, 2005, as same may be amended or modified in accordance with the requirements of the City of Escondido and other governmental authorities provided that such amendments and modifications which would have a material and adverse impact on the value or use of the Property are reasonably approved by Buyer in writing within five (5) days after Buyer's receipt of notice of such amendments and modifications, and (ii) as described in Exhibit "C" to this Agreement (collectively, the "Site Improvement Work"). Seller covenants to provide Buyer with prompt notice of all such amendments and modifications to said Improvement Plans, regardless of whether they would have a material adverse impact on the Property. Buyer and Seller agree that to the extent that the utility or improvement descriptions set forth in Exhibit "C" represent upgrades of, or additions to, the utility or improvement descriptions contained in the materials described in subsection (i) above (collectively, the "Utility Upgrades"), the descriptions in Exhibit "C" shall control with respect to such upgraded or added items. If Seller installs the Utility Upgrades and Buyer does not acquire the Property due to any reason other than a Seller default under this Agreement, then Buyer shall reimburse Seller for the additional costs actually incurred by Seller in providing the Utility Upgrades over and above the costs Seller would have incurred if such Utility Upgrades had not been requested by Buyer; provided, however, that the maximum amount that Buyer shall be required to so reimburse Seller is \$100,000. In addition to all other rights that Buyer may have under this Agreement, and in no way limiting the obligations of Seller under this Agreement or extending the time for performance thereof, if Seller has not completed the Site Improvement Work and discharged its obligations under Section 16.1.1 and Section 16.3, in each case prior to the date which, pursuant to the provisions of Section 8.1, would otherwise be the Closing Date, then the Buyer shall have the right (in Buyer's sole discretion and in addition to all other remedies available to Buyer under this Agreement) to delay the Closing until such time as all such obligations have been discharged and Buyer has had the opportunity to confirm that such obligations have been discharged and performed in full.

16.1.3 Buyer's Cooperation. During the period commencing on the date of this Agreement and expiring on completion of the Site Improvement Work, Buyer shall reasonably cooperate, at Seller's sole cost and expense, with Seller and with all of Seller's consultants, contractors and subcontractors and their respective agents, employees, and representatives who provide services, work, or materials in connection with the Site Improvement Work. Such cooperation shall include, but not be limited to, providing temporary access and other rights over, under, and through the Property, in each case to the extent (i) reasonably acceptable to Buyer and (ii) that such activities do not unreasonably interfere with Buyer's use of the Property.

16.1.4 Exculpation. Seller expressly assumes all risks and obligations arising out of or in any way connected with all activities relating in any way to the Site Improvement Work (collectively, the "Site Improvement Activities"), including but not limited to (i) the risk that

 Buyer Seller

Seller or any of its contractors, subcontractors, employees, agents or invitees (collectively, the "Seller Parties") might be injured as a result of the negligence, gross negligence or misconduct of any of the Seller Parties or as a result of a defect in or on the Property, and (ii) the obligation to pay for any services or materials provided in connection with any Site Improvement Activities; except to the extent that such risks or obligations are caused by the negligence or willful misconduct of the Buyer or any of its contractors, subcontractors, employees, agents or invitees (collectively, the "Buyer Parties"). Seller further agrees that it shall cooperate with Buyer and any lender to Buyer in recording with the San Diego County Recorder, and in posting at the Property at all times during the term of this Agreement and until the Site Improvement Work has been completed, notices of non-responsibility with respect to the Site Improvement Activities in accordance with any applicable provisions of California law (e.g., California Civil Code Section 3094).

16.1.5 Release. SELLER HEREBY WAIVES AND RELEASES BUYER FROM ALL CLAIMS WHICH SELLER MAY NOW HAVE OR HEREAFTER HAVE AGAINST BUYER FOR ANY INJURY, ACCIDENT, ILLNESS, PROPERTY DAMAGE, WORK, ACTIVITY, DEATH OR OTHER OCCURRENCE ARISING OUT OF OR IN ANY WAY CONNECTED IN ANY MANNER WITH THE SITE IMPROVEMENT ACTIVITIES, OR ANY OTHER ACT OR OMISSION OF ANY SELLER PARTY ON THE PROPERTY.

In providing this Release, Seller certifies that it has read and understands Section 1542 of the Civil Code, set out below:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Seller hereby waives application of Section 1542 of the Civil Code. Seller understands and acknowledges that the significance and consequence of this waiver of Section 1542 of the Civil Code is that even if Seller should eventually suffer additional damages arising out of the Site Improvement Work, or any activity of any Seller Party on the Property, it will not be permitted to make any claim for those damages. Furthermore, Seller acknowledges that it intends these consequences even as to claims or causes of action that may exist as of the date of this release but which Seller does not know exist, and which, if known, would materially affect Seller's decision to execute this release, regardless of whether Seller's lack of knowledge is the result of ignorance, oversight, error, negligence, or any other cause.

Initials of Representative of Seller

16.1.6 Indemnification. Seller shall keep the Property free from all encumbrances and liens of whatever nature which might arise as a consequence of the Site Improvement Activities. Seller further agrees to defend, indemnify and hold harmless the Buyer from and against any and all loss, liability, claim, obligation, demand, judgment, legal proceedings, cost or expense (including reasonable fees and costs of in-house counsel and outside attorneys) which Buyer may incur or suffer, by reason of any personal injury (including

 
Buyer Seller

disease, injury, or death), property damage (including loss, destruction or loss of use) or other claim arising out of or in any way connected with the entry and performance of any Site Improvement Activity on the Property or the negligent or willful acts or omissions of any Seller Party, their officers, employees, contractors, agents, successors or assigns, committed or omitted in connection with their entry onto the Property (including without limitation: (i) any claims from any contractors, subcontractors, suppliers, mechanics, materialmen, lessors of equipment, artisans, architects, registered engineers, land surveyors, machinists, builders, teamsters, draymen or others providing services, supplies, equipment, appliances, teams, power or other skills or materials in connection therewith (or any other persons acting with respect to the Property and referenced in California Civil Code Section 3181) to the effect that they are entitled (a) to payments in connection therewith or as a consequence of any other Site Improvement Activities, (b) to liens on any portion of the Property as a consequence of any other Site Improvement Activities or (c) to provide stop notices in connection therewith or as a consequence of any other Site Improvement Activities; and (ii) all claims, losses, liabilities, damages, obligations, costs and attorneys fees arising out of or otherwise associated in any way with any claims referenced in clause (i) of this parenthetical); except to the extent that such claims or losses are caused by the negligence or willful misconduct of the Buyer or any of the Buyer Parties.

16.1.7 Insurance. Before entering or permitting any Seller Party to enter the Property pursuant to this Agreement, Seller shall procure single limit liability insurance in an amount not less than One Million Dollars (\$1,000,000) in a form acceptable to Buyer. Seller shall name Buyer and each lender to Buyer as an additional insured in all insurance policies. No insurance policy may be canceled, materially revised or non-renewed without at least thirty (30) days written notice being given to Buyer and each lender to Buyer. Insurance must be maintained without lapse in coverage during the term of this agreement.

16.1.8 Compliance With Laws. Seller agrees that at all times each of the Seller Parties shall act as an independent contractor hereunder and that all work will be performed according to state and federal regulations and all other applicable laws. To the extent that any Site Improvement Activity to be performed by any Seller Party requires, pursuant to applicable laws, that a permit or other approval first be obtained from a governmental authority, Seller shall not permit such Site Improvement Activity to be commenced unless and until said permit or other approval first has been obtained, and Seller shall cease such Site Improvement Activity if such permit or other approval ceases to be in effect.

16.1.9 Enforcement by Buyer's Lender. Each lender to Buyer is an express third party beneficiary of the covenants of Seller set forth in this Agreement.

16.2 Purchase Price Hold-Back. The parties agree that if Seller has not discharged all of its obligations under Sections 16.1.1, 16.1.2 and 16.3, in each case prior to the Closing, and if the Buyer elects to proceed with the Closing at such time (instead of extending the Closing Date as per Buyer's rights under Section 16.1.2), then to secure the Seller's performance of such obligations, Escrow Agent is instructed to withhold from the Purchase Price in Escrow at the Closing a sum equal to One Million Four Hundred Thousand Dollars (\$1,400,000.00) (the "Purchase Price Hold-Back") pending Seller's discharge of all such obligations. The Purchase Price Hold-Back shall be invested by the Escrow Agent in an interest bearing account. Upon

 Buyer  Seller

discharge of all such obligations, Escrow Agent shall release the Purchase Price Hold-Back and interest thereon to Seller. If Buyer so elects to proceed with the Closing prior to the Seller's discharge of all such obligations, and if Seller has not completed the Site Improvement Work prior to February 28, 2006, then Buyer shall have the right (in addition to pursuing any and all other rights or remedies that Buyer may have at law or in equity including, without limitation, specific performance), to cause the Escrow Agent to apply Purchase Price Hold-Back funds toward the discharge of such Seller obligations, in which case Seller shall automatically lose all rights that Seller may have in and to the amount of the Purchase Price Hold-Back funds so expended by Buyer in discharging such Seller obligations.

16.3 Removal of Skuba Easement. Seller hereby covenants that it shall, at its own cost and expense, cause that certain easement (the "Skuba Easement") for road purposes in favor of Alan and Nancy Skuba et al. recorded on February 9, 1971 as File No. 24546 of the official records of the County of San Diego to be removed of record from the Property by no later than March 31, 2006.

ARTICLE 17 - COVENANTS AND AGREEMENTS OF SELLER

17.1 During the period from and after the Effective Date through the Closing, Seller covenants and agrees as follows:

17.1.1 New Encumbrances. Seller shall not grant or permit any new encumbrances on the Property which will continue to exist subsequent to the Closing without the prior written consent of Buyer, excluding the Declaration, the Supplementary Declaration, the Final Map, and such easements, dedications, or other encumbrances required by the City of Escondido or other governmental or quasi-governmental agencies in connection with recordation of the Final Map or reasonably necessary to satisfy any conditions to recordation of the Final Map or completion of the Site Improvement Work and which have been approved in writing by Buyer.


17.1.2 Existing Loan, Encumbrances and Liens. At Closing, Seller shall repay in full any and all then existing loans or other monetary judgments or liens (except non-delinquent taxes and assessments) which encumber the property, or shall otherwise cause the Property to be released from the encumbrance of any such items.

17.1.3 Notice of Change. Seller shall promptly notify Buyer of any material change in any condition with respect to the Property or of any material event or circumstance which makes any representation or warranty of Seller under this Agreement untrue or misleading in any material respect.

ARTICLE 18 - GENERAL PROVISIONS

18.1 Definitions. Unless the context otherwise indicates, whenever used in this Agreement:

18.1.1 Business Day. The term "Business Day" shall mean a normal work day during each week, excluding Saturdays, Sundays and holidays.


Buyer Seller

18.1.2 Calendar Day. The term "Calendar Day" means a day of the week, utilizing 365 days a year.

18.1.3 Cash. The word "cash" means immediately available funds consisting of either (i) United States currency, (ii) a cashier's or certified check (s) currently dated, issued by a Federal Insured Institution, payable to the required payee, and honored upon presentation for payment, or (iii) an amount credited by wire-transfer into the required payee's bank account.

18.1.4 Escrow. The word "Escrow" shall mean the escrow opened by Escrow Agent pursuant to the terms of this Agreement.

18.1.5 Escrow Agent. The term "Escrow Agent" shall mean Chicago Title Company - Park Camino Branch, located at 2365 Northside Drive, Suite 600, San Diego, California 92108, Attn: Della Michaelson, Telephone No.: (619) 282-3200. Facsimile No.: (619) 282-5201.

18.1.6 Events of Force Majeure. As used in this Agreement, "Event of Force Majeure" shall mean any delay encountered by Buyer or Seller in carrying out their respective obligations under this Agreement resulting from strikes, lockouts, earthquakes, floods, unavailability of labor, inclement weather, unavailability of standard materials or customary facilities, equipment or supplies, governmental building moratoriums, governmental or administrative action or inaction, riot, insurrection, mob violence or civil commotion, war, acts of God, or other acts, in each case only to the extent beyond the reasonable control of Buyer or Seller (financial condition excepted), as the case may be.

18.2 Vesting. Buyer shall specify the manner in which it shall take title to the Property on or before the Closing.

18.3 Gender; Number. The use herein of (i) the neuter gender includes the masculine and the feminine, and (ii) the singular number includes the plural, whenever the context so requires.

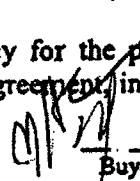
18.4 Captions. Captions in this Agreement are inserted for convenience of reference only and do not define, describe or limit the scope of the intent of this Agreement or any of the terms hereof.

18.5 Exhibits. All exhibits referred to herein and attached hereto are a part hereof.

18.6 Entire Agreement. This Agreement contains the entire agreement between parties relating to the transactions contemplated hereby; and all prior or contemporaneous agreements, understandings, representation and statements, oral or written, are merged herein.

18.7 Modification. No modification, waiver, amendment, discharge or change of this Agreement shall be valid unless the same is in writing and signed by the party against which the enforcement of such modification, waiver, amendment, discharge or change is or may be sought.

18.8 Attorney's Fees. If any party hereto employs an attorney for the purpose of enforcing or construing this Agreement, or any judgment based on this Agreement, in any legal

 _____
Buyer Seller

proceeding whatsoever, including insolvency, bankruptcy, arbitration, declaratory relief or other litigation, the prevailing party shall be entitled to receive from the other party or parties thereto reimbursement for all attorneys' fees and all costs, including but not limited to service or process, filing fees, court and court reporter costs, investigative costs, expert witness fees, and the costs of any bonds, whether taxable or not, and that such reimbursement shall be included in any judgment or final order issued in that proceeding. "Prevailing Party" shall have the meaning ascribed to it under California statutory law.

18.9 Joint and Several Liability. If any party consists of more than one person or entity, the liability of each such person or entity signing this Agreement shall be joint and several.

18.10 Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of California.

18.11 Time of Essence. TIME IS OF THE ESSENCE as to each and every provision of this Agreement.

18.12 Severability. In the event any term, covenant, condition, provision or agreement herein contained, is held to be invalid, void or otherwise unenforceable by any court of competent jurisdiction, the fact that such term, covenant, condition, provision or agreement is invalid, void or otherwise unenforceable shall in no way affect the validity or enforceability of any other term, covenant, condition, provision or agreement herein contained.

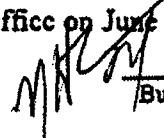
18.13 Successors and Assigns; Assignment. All terms of this Agreement shall be binding upon, inure to the benefit of and be enforceable by and against, the parties hereto and their respective legal representatives, successors and assigns. Except as expressly permitted in this Agreement, neither party hereto shall assign its interest in the Property or in this Agreement or any of its rights under this Agreement without the prior written consent of the other party hereto.

18.14 Counterparts. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed an original; such counterparts shall together constitute but one agreement.

18.15 Further Assurances. The parties hereto agree to cooperate with each other and execute any documents reasonably necessary to carry out the intent and purpose of this Agreement.

18.16 Survival of Representations and Warranties. Each party's representations and warranties set forth in this Agreement shall survive the Closing and shall remain in effect until such date as is one (1) year following the completion by such party of all of its obligations under this Agreement.

18.17 Development Agreement. The parties acknowledge and agree that Buyer is not assuming, and upon acquisition of the Property shall not assume, any obligations of the Seller under that certain Development Agreement between City of Escondido and JRM-ERTC I and Palomar Energy, LLC, recorded in the San Diego County Recorder's Office on June 12, 2003 as

 Buyer Seller

Document Number 2003-0693338, as the same may be amended (the "Development Agreement"). Seller covenants and agrees that it shall comply with, and fulfill all of its obligations set forth in, the Development Agreement. This covenant shall survive the closing of the transactions contemplated by this Agreement.

18.18 Memorandum. The parties hereto will execute and acknowledge a Memorandum of Option Agreement in the form attached hereto as Exhibit "D" and incorporated herein by this reference, for purposes of recording in the Recorder's Office immediately following the recordation of the Final Map, which Memorandum of Option Agreement shall describe the Property as being subject to the rights, covenants, and restrictions of this Agreement. Buyer covenants to execute and deliver to Seller, within ten (10) days after Buyer's receipt of Seller's written request, a quitclaim deed (or such other documents reasonably requested by Seller and reasonably approved by Buyer) sufficient to terminate such Memorandum of Option Agreement and the Option of record, at any time following expiration of the Option (without its prior exercise by Buyer) or termination of this Agreement.

IN WITNESS WHEREOF, this Agreement has been executed as of the date set forth above.

SELLER:

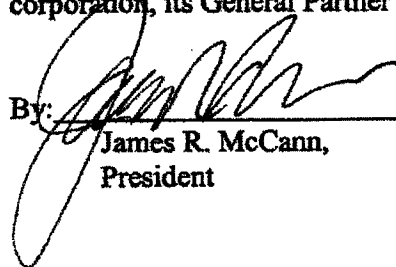
BUYER:

JRM-ERTC I, L.P.
a California limited partnership,

Palomar Pomerado Health, a California
Health Care District

By: JRM Holdings, Inc., a California
corporation, its General Partner

By: _____
Its: _____

By: 
James R. McCann,
President

By: _____
Its: _____


Seller

Document Number 2003-0693338, as the same may be amended (the "Development Agreement"). Seller covenants and agrees that it shall comply with, and fulfill all of its obligations set forth in, the Development Agreement. This covenant shall survive the closing of the transactions contemplated by this Agreement.

18.18 Memorandum. The parties hereto will execute and acknowledge a Memorandum of Option Agreement in the form attached hereto as Exhibit "D" and incorporated herein by this reference, for purposes of recording in the Recorder's Office immediately following the recordation of the Final Map, which Memorandum of Option Agreement shall describe the Property as being subject to the rights, covenants, and restrictions of this Agreement. Buyer covenants to execute and deliver to Seller, within ten (10) days after Buyer's receipt of Seller's written request, a quitclaim deed (or such other documents reasonably requested by Seller and reasonably approved by Buyer) sufficient to terminate such Memorandum of Option Agreement and the Option of record, at any time following expiration of the Option (without its prior exercise by Buyer) or termination of this Agreement.

IN WITNESS WHEREOF, this Agreement has been executed as of the date set forth above.

SELLER:

JRM-FRTIC I, L.P.
a California limited partnership.

By: JRM Holdings, Inc., a California
corporation, its General Partner

By: _____
James R. McCann,
President

BUYER:

Palomar Pomerado Health, a California
Health Care District

By: _____
Its: _____

By: _____ 3/18/05
Its: CEO

EXHIBIT "A-1"
TO OPTION TO PURCHASE, PURCHASE AGREEMENT
AND ESCROW INSTRUCTIONS

LEGAL DESCRIPTION

All that certain real property located in the City of Escondido, County of San Diego, State of California and described as follows:

Lots 27, 28, 29, 33, 34, 35, and 36 of Escondido Tract No. 834, in the City of Escondido, County of San Diego, State of California, according to Map thereof No. 14983, filed in the Office of the County Recorder of San Diego County on March 17, 2005 as File No. 2005-0220836, Official Records.

Exhibit "A-1"

SD474333.1


Buyer Seller

FROM LATHAM & WATKINS LLP

(FRI) 3.18.05 12:51/ST. 12:36/NO. 4861919418 P 27

EXHIBIT "A-2"


**TO OPTION TO PURCHASE, PURCHASE AGREEMENT
AND ESCROW INSTRUCTIONS**

SITE PLAN

(See Attached)

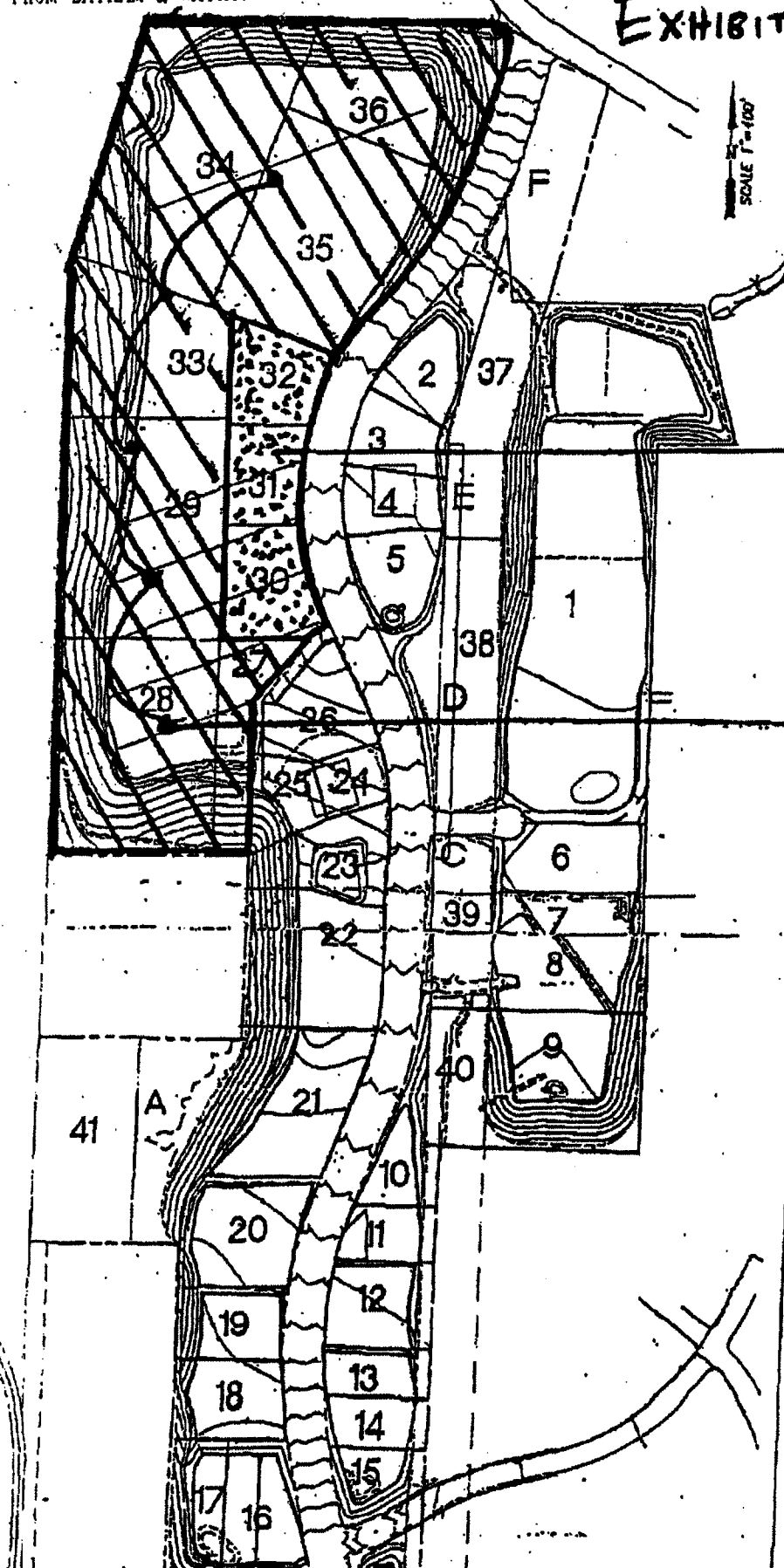
Exhibit "A-2"


SD474333 7




Buyer Seller

EXHIBIT A-2




"Additional
OPTION Property"
(LOTS 30-32)


"Property"
(LOTS 27-29, and
{ LOTS 33-36 }

Mike

FROM LATHAM & WATKINS LLP


(FRI) 3.18'05 12:52/ST. 12:36/NO. 4861919418 P 29

EXHIBIT "B"
TO PURCHASE AGREEMENT AND ESCROW INSTRUCTIONS
FORM OF GRANT DEED

(See Attached)

Exhibit "B"

SD474333 ?



Buyer Seller

Recording Requested By and
When Recorded Mail to:

Palomar Pomcrado Heath
15255 Innovation Drive
San Diego, CA 92128
Attention: Robert Hemker

APN: Portion of Assessor's Parcel Nos.
232-03-26, 232-03-27, and 232-040-21

Space above reserved for Recorder's Use

GRANT DEED

The undersigned Grantor declares:
Documentary Transfer Tax not shown pursuant
to Section 11932 of the Revenue and
Taxation Code, as amended

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, JRM-ERTC I, L.P., a California limited partnership ("Grantor"), hereby grants to Palomar Pomerado Health, a California Health Care District ("Grantee"), that certain real property ("Property") in the City of Escondido, County of San Diego, State of California, more particularly described in Exhibit "A" attached hereto.

SUBJECT TO:

1. Nondelinquent general, special and supplemental real property taxes and assessments which are a lien not yet payable.
2. Covenants, conditions, restrictions, easements, reservations, rights, rights-of-way and other matters, in each case to the extent that the foregoing are of record or discoverable by inspection or survey, including, but not limited to, that certain Declaration of Covenants, Conditions, and Restrictions of Escondido Research and Technology Center recorded _____ in the Official Records of San Diego County, California, as Document No. _____ ("Declaration"), which Declaration is hereby incorporated by reference into this Grant Deed as though fully set forth herein.

Dated: _____, 200__

JRM-ERTC I, L.P.,
a California limited partnership

By: JRM Holdings, Inc., a California
corporation, its General Partner

By: _____
Name: James R. McCann
Title: President

FROM LATHAM & WATKINS LLP

(FRI) 3.18'05 12:52/ST. 12:36/NO. 4861919418 P 31

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

On _____, 200__, before me, _____,
personally appeared _____ and _____
personally known to me (or proved to me on the basis of satisfactory evidence) to be the
person(s) whose name(s) (is) (are) subscribed to the within instrument and acknowledged to me
that (he) (she) (they) executed the same in (his) (her) (their) authorized capacity(ies), and that by
(his) (her) (their) signature(s) on the instrument the person(s), or the entity upon behalf of which
the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public in and for said State

(SEAL)

EXHIBIT "A"

LEGAL DESCRIPTION

All that certain real property located in the City of Escondido, County of San Diego, State of California, described as follows:

Lots 27, 28, 29, 33, 34, 35, and 36 of Escondido Tract No. 834, in the City of Escondido, County of San Diego, State of California, according to Map thereof No. 14983, filed in the Office of the County Recorder of San Diego County on March 17, 2005 as File No. 2005-0220836, Official Records.

EXHIBIT "A"

SD-474333.7

STATEMENT OF DOCUMENTARY TRANSFER TAX

In accordance with the provisions of Section 11932 of the Revenue and Taxation Code, I, the undersigned, request that the Declaration of Documentary Transfer Tax be made on this form which will not be made a part of the permanent record and will be affixed to and returned with the conveying document after the permanent record is made.

Portion of APN _____

JRM-ERTC I, L.P., a California limited partnership
(Name of Grantor)

Palomar Pomerado Health, a California Health Care District
(Name of Grantee)

The undersigned declares that the documentary transfer tax is \$_____ and is

 X computed on the full value of the interest or property conveyed, or is

 computed on the full value less the value of liens or encumbrances
remaining thereon at the time of sale.

The land, tenements or realty is located in

 an unincorporated area in the county, or

 X the City of Escondido

JRM-ERTC I, L.P., a California limited
partnership

By: JRM-Holdings, Inc., a California
corporation, its General Partner

By: _____
Name: James R. McCann
Title: President

EXHIBIT "A"

SD474333.7

FROM LATHAM & WATKINS LLP

(FRI) 3.18'05 12:53/ST. 12:36/NO. 4861919418 P 34

EXHIBIT "C"

ADDITIONAL SITE IMPROVEMENT WORK INFORMATION

(See Attached)

Exhibit "C"

\$10,474,333.7



Buyer Seller

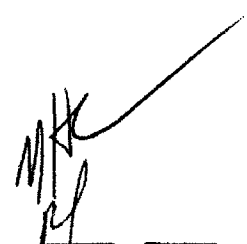
FROM LATHAM & WATKINS LLP

(FRI) 3.18'05 12:54/ST. 12:36/NO. 4861919418 P 36

EXHIBIT "D"
TO OPTION TO PURCHASE, PURCHASE AGREEMENT
AND ESCROW INSTRUCTIONS
FORM OF MEMORANDUM OF OPTION TO PURCHASE

(See Attached)

Exhibit "D"



Buyer Seller

SD:474332.7

Recording Requested By and
When Recorded Mail to:

Michael E. Lyon, Esq.
Hilding Kipnis Lyon & Kelly
11975 El Camino Real, Suite 200
San Diego, CA 92130

APN: Portion of 232-03-26, 232-03-
27, and 232-040-21

Space above reserved for Recorder's Use

MEMORANDUM OF OPTION TO PURCHASE

THIS MEMORANDUM OF OPTION TO PURCHASE ("Memorandum") is made and entered into as of this _____ day of March, 2005, by and between JRM-ERTC I, L.P., a California limited partnership ("Seller") and Palomar Pomerado Health, a California Health Care District ("Buyer").

RECITALS

Pursuant to that certain Option to Purchase, Purchase Agreement and Escrow Instructions dated as of March __, 2005 (as may be amended, the "Agreement"), executed by Buyer and Seller, Buyer has an option to acquire from Seller that certain real property ("Property") located in the City of Escondido, County of San Diego, State of California, more particularly described in Exhibit "A" attached to this Memorandum and incorporated into this Memorandum by this reference.

AGREEMENT

FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, Buyer and Seller agree as follows:

1. Seller hereby grants to Buyer an option (the "Option") to purchase the Property for the period and upon the terms, covenants, conditions and provisions set forth in the Agreement. All of the terms, covenants and provisions of such Agreement are hereby incorporated into this Memorandum by reference.

2. Buyer covenants, for itself, its successors and assigns, as the holder of the Option, to execute and deliver to Seller, its successors or assigns, as the owner of the Property, within ten business days after Buyer's receipt of Seller's written request, a quitclaim deed (or such other documents reasonably requested by Seller and reasonably approved by Buyer) sufficient to terminate the Option of record, at any time following expiration of the Option if the Option has not theretofore been exercised by Buyer.

3. This Memorandum is to be recorded in the Official Records of San Diego County, California.



4. This Memorandum may be executed in counterparts, all of which shall constitute the same Memorandum, notwithstanding that all parties to this Memorandum are not signatory to the same or original counterpart.

5. Nothing in this Memorandum shall modify any of the terms of the Agreement.

IN WITNESS WHEREOF, the parties to this Memorandum have executed this Memorandum as of the date first set forth above.

"BUYER":

Palomar Pomerado Health, a California
Health Care District

By: _____
Its: _____

By: _____
Its: _____

"SELLER":

JRM-ERTC I, L.P.
a California limited partnership,

By: JRM Holdings, Inc., a California
corporation, its General Partner

By: _____
James R. McCann, President

[NOTARIES ON FOLLOWING PAGE]



STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

On _____, 2005, before me, _____,
personally appeared _____ and _____,
personally known to me (or proved to me on the basis of satisfactory evidence) to be the
person(s) whose name(s) (is) (are) subscribed to the within instrument and acknowledged to me
that (he) (she) (they) executed the same in (his) (her) (their) authorized capacity(ies), and that by
(his) (her) (their) signature(s) on the instrument the person(s), or the entity upon behalf of which
the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public in and for said State

(SEAL.)

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

On _____, 2005, before me, _____,
personally appeared _____ and _____,
personally known to me (or proved to me on the basis of satisfactory evidence) to be the
person(s) whose name(s) (is) (are) subscribed to the within instrument and acknowledged to me
that (he) (she) (they) executed the same in (his) (her) (their) authorized capacity(ies), and that by
(his) (her) (their) signature(s) on the instrument the person(s), or the entity upon behalf of which
the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public in and for said State

(SEAL.)

FROM LATHAM & WATKINS LLP

(FRI) 3.18'05 12:55/ST. 12:36/NO. 4861919418 P 40

EXHIBIT A

(Legal Description)

All that certain real property located in the City of Escondido, County of San Diego, State of California, described as follows:

Lots 27, 28, 29, 33, 34, 35, and 36 of Escondido Tract No. 834, in the City of Escondido, County of San Diego, State of California, according to Map thereof No. 14983, filed in the Office of the County Recorder of San Diego County on March 17, 2005 as File No. 2005-0220836, Official Records.

EXHIBIT "A"

SD-474333.7

A handwritten signature in black ink, appearing to be 'MK' followed by a stylized flourish.

FILED